

Executive Summary to the City of Madison Joint Review Board

Tax Incremental District (TID) No. 44 (Royster Clark) 2024 Project Plan Amendment City of Madison

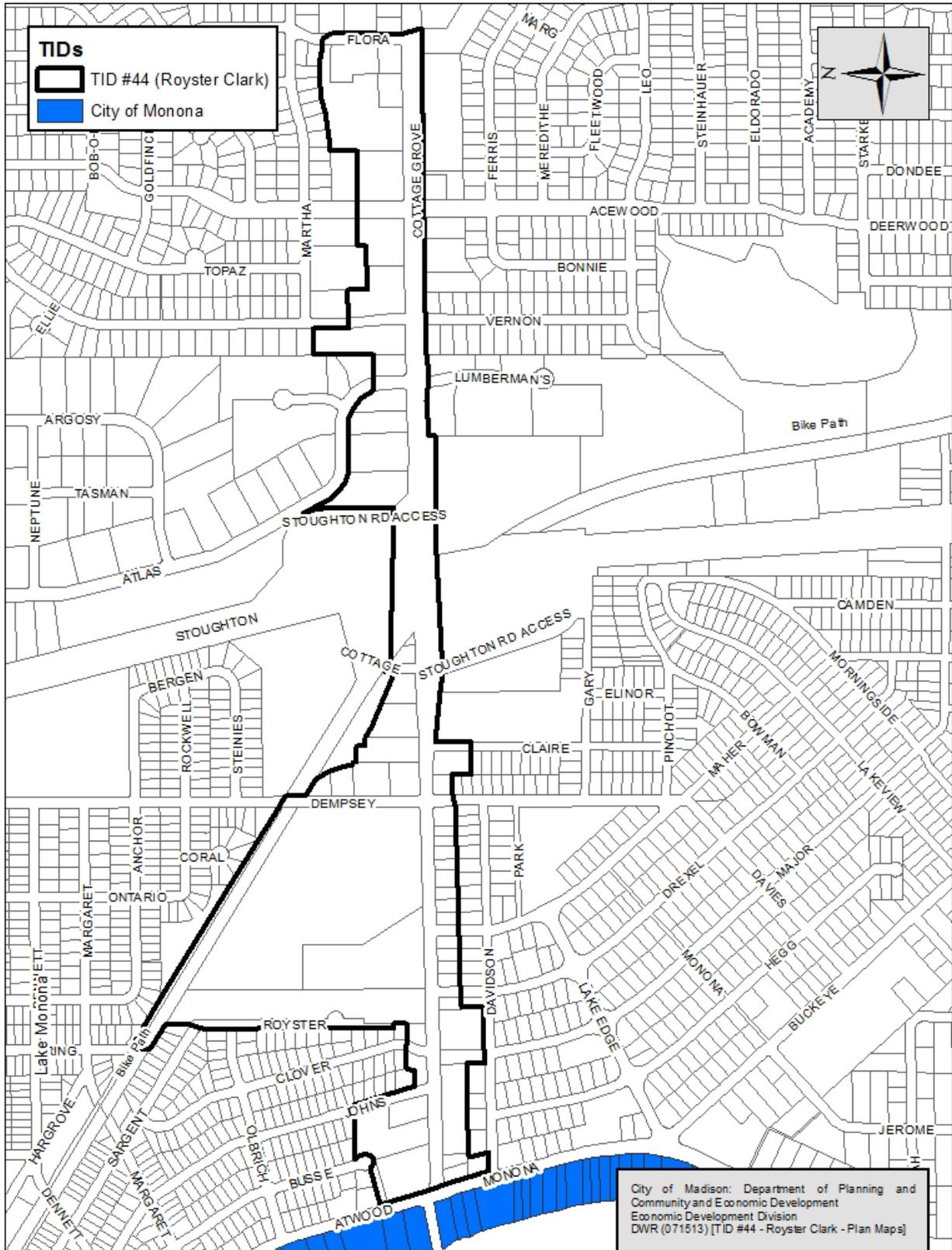
February 20, 2024

Background

By statute, a TIF Joint Review Board, comprised of one representative each from the Madison Metropolitan School District (MMSD), the City of Madison, Dane County, Madison College (MATC) and one public member, meets to review, and if acceptable, approve a proposed amendment to a Tax Incremental District (TID) Project Plan. The Joint Review Board will meet at a future date to take action upon the proposed amendment to the project plan to TID 44 (Royster Clark).

Summary of the TID #44 Project Plan

The map on the next page depicts the boundaries of TID 44 in the Cottage Grove Road area of the City of Madison, generally between the intersection of Atwood Ave / Monona Drive and Acewood Blvd:



TIF Law Required Information for TID Amendment Approval

1) Estimates of project costs and tax increments, including:

a) Specific items that constitute project costs; (See Chart Below)

NOTE: Amendments, including additions and deletions, to the Project Plan from the First Amendment (2024) are highlighted in yellow.

Street Reconstruction	Proposed, Non-Assessable Cost	Phase I (2014-16)	Phase II (2017-20)	Total	Time Frame
<u>Cottage Grove Road</u>					
Monona Dr to Drexel	445,500		445,500	445,500	2013-2035
Drexel to USH 51	1,776,500	1,776,500		1,776,500	2013-2035
Subtotal Cottage Grove Rd – Streets	2,222,000	1,776,500	445,500	2,222,000	2013-2035
<u>Dempsey Rd</u>					
Cottage Grove N. to Bike Path	92,700	-	92,700		2013-2035
Total Streets	2,314,700	1,776,500	538,200	2,314,700	2013-2035
Utility Undergrounding					
<u>Cottage Grove Road</u>					
Monona Dr to Dempsey	690,000		690,000	690,000	2013-2035
Drexel to Dempsey (MGE)	740,000	740,000		740,000	2013-2035
Drexel to Dempsey (Charter & TE)	370,000	370,000		370,000	2013-2035
Subtotal Cottage Grove Rd. - Underground	1,800,000	1,110,000	690,000	1,800,000	2013-2035
<u>Dempsey Road</u>					
Cottage Grove N. to Bike Path (MGE)	375,000	-	375,000	375,000	2013-2035
Cottage Grove N. to Bike Path (ATT, Charter)	375,000	-	375,000	375,000	2013-2035
Subtotal Dempsey Rd. - Underground	750,000	-	750,000	750,000	2013-2035
Total Undergrounding	2,550,000	1,110,000	1,440,000	2,550,000	2013-2035
TOTAL PUBLIC IMPROVEMENTS	4,864,700	2,886,500	1,978,200	4,864,700	2013-2035
Development Loans	1,300,000			1,300,000	2013-2035
Administrative and Professional Costs	100,000			100,000	2013-2035
TOTAL PROJECT COSTS	6,264,700			6,264,700	2013-2035
Finance Costs	683,000			683,000	2013-2035

First Project Plan Amendment (2024) Project Costs					
Railroad Quiet Zone	350,000			350,000	2024-2035
Donation to TID 42 (2024)	1,600,000			1,600,000	2024-2035
Total Project costs – First Project Plan Amendment (2024)	1,950,000			1,950,000	2024-2035
Total Project Costs (Original Project Plan and 1st (2024) Project Plan Amendment)					
	8,214,700			8,214,700	2024-2035

b) The total dollar amount of these project costs to be paid with tax increments;

Per the above chart, tax increments will pay for a total of **\$8,214,700** of project costs.

c) The amount of tax increments to be generated over the life of the tax incremental district.

Through the end of 2023, TID 44 generated an estimated \$4.7 million of incremental revenues. Based upon the City's TIF run, TID 44 will generate an additional \$23.8 million of incremental revenue through its expiration date of 2040. The net present value of these incremental revenues is \$15.6 million. **This would lead to a total forecasted incremental revenue over the entire life of TID 44 of \$28.5 million**

2. The amount of value increment when the project costs are paid in full and the district is closed.

Based upon development projects that have occurred to date, the anticipated incremental value of property within the district at the end of its 27-year life is estimated at **\$204,000,000**. This value will be returned to overlying tax jurisdictions for general tax levy purposes upon closure of the district at the end of its statutory life. Based upon conservative estimates, the district will generate sufficient incremental revenues to repay all anticipated project costs in 2024, and then close in 2025. Should TID 44 be in a similar financial position in 2025, the TID could potentially close then.

Without any additional projects generating new incremental value, the estimated incremental value in 2025 is \$83 million. The 2024 incremental value is approximately \$81 million. However, the City may propose future amendments to the TID 44 project plan to fund additional development or infrastructure projects.

3. The reasons why the project costs may not or should not be paid by the owners of property that benefit by improvements within the district.

The budget for the proposed project plan amendment is estimated at \$8,214,000.

The total amount of assessable costs not to be paid for with TIF funds is \$0.

The total amount of costs to be paid for with TIF funds is \$8,214,000.

4. The share of the projected tax increments estimated to be paid by the owners of taxable property in each of the taxing jurisdictions overlying the district.

The certified base value of TID 44 is **\$30,448,400**. Overlying jurisdictions will continue to collect their portion of the levy upon the base value over time. The box below indicates the share of the estimated first tax increment invested by overlying tax jurisdictions based upon the 2024 mill rate.

<u>Tax Jurisdiction</u>	<u>2024 Mill Rate</u>	<u>Share of Tax Levy</u>
City	7.10	35%
County	2.52	13%
MMSD	9.85	49%
MATC	0.66	3%
State of WI	<u>0.0</u>	<u>0%</u>
Totals*	18.28**	100%*

Source: City of Madison 2024 Adopted Operating Budget
 *NOTE: Total Mill Rate is the Gross Mill, prior to any State Tax Credits being applied to this rate.
 **NOTE: Total may not add due to rounding

5. The benefits that the owners of taxable property in the overlying taxing jurisdictions will receive to compensate them for their share of the projected tax increments.

A conservative estimate of the total incremental value resulting from potential development projects, and economic growth or value appreciation of the life of the TID is estimated to be \$111 million. The benefits of these potential projects are: sharing new equalized value growth, blight elimination, infrastructure improvements, and job creation / retention to benefit those in the district and throughout the City of Madison.

TID 44's base value of \$30,448,400 is anticipated to grow by \$111 million at the end of the 27-year life of the TID. Assuming that the City incurs all of the \$8.2 million of projected costs identified in the TID Project Plan, that there are no changes in tax increment estimates, no further project plan amendments and no changes to TIF Law, the City of Madison forecasts that TID 44 may close in 2025. The average life of a TID in the City of Madison is 12 years. The incremental value of the TID in 2025 when the TID is forecasted to be closed is estimated to be \$83 million (*Note: variations are due to rounding*).

TID 44 is a "blighted area" TID, as defined by State Statute 66.1105.

Criteria for TID Approval

Per TIF Law, the Joint Review Board will cast a vote based upon the following three criteria:

1. Whether the development expected in the tax incremental district would occur without the use of tax incremental financing.

None of the proposed \$8,214,700 of project costs are assessable. Without tax increment revenue, such improvements as outlined in this report and the Project Plan Amendment are not likely to occur when compared to areas in the City where special assessment revenues may be more readily available to fund greater portions of project costs.

2. Whether the economic benefits of the tax incremental district, as measured by increased employment, business and personal income and property value, is insufficient to compensate for the cost of improvements.

If the District closes in 2025 as projected, it is estimated that approximately \$83 million of incremental value would return to the overlying taxing jurisdictions. At 27 years, the District would return approximately \$111 million of incremental value to the overlying taxing jurisdictions. Without TIF, the infrastructure and other investments described in the project plan document in and adjacent to TID 44 and in South Madison (via a donation of excess tax increments to TID 42) would not occur. The infrastructure and other improvements will continue to boost values within and adjacent to TID 44, as well as in South Madison.

3. Whether the benefits of the proposal outweigh the anticipated tax increments to be paid by owners of property in the overlying tax districts.

Property and infrastructure improvements, blight elimination, tax base growth and job creation / retention are the most significant and quantifiable benefit to overlying tax jurisdictions from the investment of TIF funds. In particular, investments in South Madison

Without TIF, overlying tax jurisdictions would share approximately \$556,000 of tax revenues for the tax parcels included in TID 44, based on the base value of \$30,448,400. As stated earlier, the incremental value in 2025 at the end of the projected life of the TID is estimated at \$83 million. Theoretically, if the City invested all \$8.2 million of project costs in the district, which investment would leverage over \$83 million; or \$1 of TIF leverages approximately \$10 of value growth. If the TID were to be closed at that time, this value growth would be returned to overlying tax jurisdictions that would now share in a levy of approximately \$1.5 million, or a net gain of approximately \$1 million as a result of TIF.

In turn, the anticipated tax increments over the life of the district are estimated to support \$8.2 million of public investment. This investment will further enhance the area, eliminate blight, increase values in and around the District and in South Madison, and help create new, family supporting jobs.